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Letter dated 18 June 2007 from the Permanent Representative of Austria to the United Nations addressed to the President of the Economic and Social Council

I have the honour to transmit herewith the report of the Vienna High-level Symposium: preparing for the Development Cooperation Forum, which was held in Vienna, on 19 and 20 April 2007 (see annex).

I would be grateful if you would circulate the present letter and its annex as a document of the Economic and Social Council, under agenda item 2.

(*Signed*) Gerhard **Pfanzelter**
Ambassador

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Annex to the letter dated 18 June 2007 from the Permanent Representative of Austria to the United Nations addressed to the President of the Economic and Social Council

Vienna High-level Symposium: preparing for the Development Cooperation Forum

Country-level experiences in coordinating and managing development cooperation

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I. Background

1. As part of the strengthening of the Economic and Social Council, Member States, at the 2005 World Summit, mandated the Council to convene a high-level biennial Development Cooperation Forum. The Forum will review trends in international development cooperation, including strategies, policies and financing, promote greater coherence among the development activities of different development partners and strengthen the normative and operational link in the work of the United Nations. The General Assembly, in its resolution 61/16, further decided to launch the Development Cooperation Forum in Geneva in July 2007 and to hold the first biennial Forum in New York in 2008.

2. To facilitate dialogue among stakeholders during the upcoming launch of the Development Cooperation Forum and to begin a consultative process for the Forum in 2008, the Department of Economic and Social Affairs of the United Nations Secretariat is supporting the organization of several high-level symposiums, hosted by Member States, with particular focus on the key challenges facing development cooperation.

II. Vienna High-level Symposium

3. The first event, organized in cooperation with the Government of Austria, took place in Vienna, on 19 and 20 April 2007. The theme of the Vienna High-level Symposium was "Country-level experiences in coordinating and managing development cooperation".[a]

4. The objective of the symposium was to examine progress, identify key challenges and discuss good practices by donors and partner countries in implementing some of the policy goals established at the 2005 World Summit and the International Conference on Financing for Development, held in Monterrey, Mexico, in 2002, as they relate to the management and coordination of development cooperation at the country level. The present report of the symposium may also serve as a background document for the upcoming launch of the Development Cooperation Forum as well as for the first Forum in 2008.

5. Organized as a multi-stakeholder event, with the participation of high-level individuals in an expert capacity, the Vienna High-level Symposium consisted of six plenary meetings. The event was attended by approximately 130 participants representing a wide range of stakeholders, including representatives from developed and developing countries, including the Minister for Foreign Affairs of Cape Verde, United Nations organizations, the World Bank, the International Monetary Fund (IMF), the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), bilateral aid agencies, regional and international organizations as well as representatives from civil society and the private sector.[b]

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[a] See www.un.org/ecosoc/newfunct/dcfvienna.shtml.

[b] For the list of registered participants, see http://www.un.org/docs/ecosoc/meetings/2007/dcf2007/index.html.

6. The programme of the symposium was organized around six main themes:[c]

(a) Assessment of development effectiveness;

(b) National development strategies as frameworks for development cooperation;

(c) Predictability and stability of development aid;

(d) National capacities for administering aid;

(e) Monitoring of aid quality;

(f) Donor harmonization.

7. In the various discussions held at the symposium there was strong consensus on the need to accelerate the implementation of policy goals relating to development cooperation established at the 2002 Monterrey Conference, the 2005 World Summit and the 2005 Paris High-level Forum on Aid Effectiveness. Three key principles were singled out as being of pivotal significance for development cooperation that produces discernible and lasting results: national ownership, participation and accountability:

(a) National ownership: genuine national ownership means that developing countries lead, in partnership with donors. Ownership is not simply agreeing to the terms and conditions of development cooperation established by donors, it is actively taking charge of defining the framework and process for cooperation;

(b) Participation: the participation of non-State actors in the formulation and implementation of national development strategies is critical for the credibility, impact and sustainability of the development process. It is also important for Governments not to limit the participation in policy dialogue processes to like-minded stakeholders, but to benefit from a broad range of perspectives;

(c) Accountability: development partners need to relate to each other as equals and be expected to heed agreed commitments. The Development Cooperation Forum could play a role in fostering such a partnership between development partners, based on the principle of accountability. It was also recognized that donors are increasingly scrutinized by parliaments and other oversight institutions for the effectiveness and impact of development assistance.

8. The two-day discussion greatly benefited from a number of country case studies and presentations that brought in local examples and recent experiences in coordinating and managing development aid from Bangladesh, Cape Verde, Indonesia, Mozambique, Rwanda, Uganda and Viet Nam.[d]

III. Opening of the Symposium

9. In opening the Vienna High-level Symposium, the President of the Economic and Social Council, Dalius Čekuolis, emphasized that the event was an important first step for the launch of the Development Cooperation Forum in Geneva in July 2007 and for the holding of the first Forum in New York in 2008. The Symposium

[c] For the complete programme, see ibid.

[d] See http://www.un.org/ecosoc/newfunct/dcfvienna.shtml.

was also deemed to be an excellent opportunity to take stock of progress in implementing the global development cooperation agenda at the country level.

10. The Development Cooperation Forum was considered to be a key platform for fostering dialogue and consensus on development cooperation policies among a wide range of stakeholders for the realization of the internationally agreed development goals. Participants were encouraged to share the outcome of the symposium with their respective constituencies, with a view to promoting a dynamic and inclusive preparatory process that would enable the Forum to fulfil its mandate and have a real impact at the country level.

11. The Under-Secretary-General for Economic and Social Affairs, José Antonio Ocampo, expected that the Development Cooperation Forum would become a major instrument of the international community in promoting more effective and coherent development cooperation for the realization of the internationally agreed development goals. The goals were regarded as constituting a shared framework for development cooperation owned by all stakeholders. The establishment of the Forum should be considered a major step in the implementation of the global partnership for development, while recognizing the concerns of many developing countries that this partnership is yet to live up to its full potential in several areas.

12. The Under-Secretary-General expressed the view that the Development Cooperation Forum would have a particularly important role to play in strengthening political oversight of aid commitments and aid effectiveness, in particular considering the scope for further improvements in the delivery and use of development aid at the country level. In this regard, enhancement of the quality and quantity of aid should be a high priority for donors while partner countries should use development assistance, multilateral and private financing and their domestic resources more effectively. Furthermore, improvements in aid effectiveness should go hand-in-hand with measures to improve the governance of the development aid system.

13. The strength of the Development Cooperation Forum was considered to be its ability to promote an inclusive process, anchored in quality analysis, where the voices of all stakeholders would be heard in global dialogue and policymaking. No other forum could provide such political legitimacy.

14. Ambassador Johannes Kyrle, Secretary-General for Foreign Affairs of Austria, singled out the commitments of the European Union to increase overall development assistance flows, with targets set for 2010 and 2015. There is a shared understanding among donors and partner countries that scaling up of development assistance must be complemented by measures to improve the quality of aid. With that objective in mind, bilateral delivery of development assistance is currently undergoing profound restructuring under the auspices of the OECD/Development Assistance Committee, guided by the Paris Declaration on Aid Effectiveness.

15. The United Nations was believed to be an indispensable part of the international development system, yet its structure would need to be further strengthened, streamlined and made more efficient. Furthermore, bilateral and multilateral aid delivery was thought to be in need of improvement, in particular in order to ensure that the interface of both actors at the country level, including the relationship with the international financing institutions, is well-defined and complementary.

16. It was anticipated that the symposium would make a contribution to the aid effectiveness agenda by deepening the understanding among stakeholders of existing coordination mechanisms and of the interlinkages between national development strategies and the delivery of development aid.

17. Ambassador Irene Freudenschuss-Reichl, Director-General, Department of Development Cooperation of the Federal Ministry for European and International Affairs of Austria, concluded the opening session by drawing attention to several ongoing tracks aimed at reforming global development cooperation. First, bilateral donors are working, both individually and collectively, to enhance aid effectiveness within the framework of the Paris Declaration and the upcoming High-level Forum on Aid Effectiveness, which is to be held in Ghana in 2008. Secondly, the division of labour within the European Union in respect of development cooperation is actively being discussed in order to reduce transaction costs and streamline aid delivery. Thirdly, reform of United Nations development cooperation has been given a strong impetus following the report of the High-level Panel on United Nations System-wide Coherence.

18. With respect to United Nations reform, it was considered important not to limit the debate to the review of the efficiency and effectiveness of the Organization's operational activities for development but also to look at its broader role in development cooperation. Issues previously in the domain of technical experts, such as energy security, climate change and water sustainability, which as of late have taken on a political nature and significance, may become important future priorities. Thematic and geographical clustering may therefore need to be considered in consolidating mandates at the United Nations Headquarters level.

19. It was also stressed that the different reform tracks need to interface in order to produce the desired impact at the country level. The Vienna High-level Symposium could be seen as a first step in defining this interface under the framework of the Development Cooperation Forum, which would eventually become the venue for such interaction.

IV. Key issues in development cooperation

20. The meetings at the symposium provided an opportunity for participants to discuss trends and progress in coordinating and managing development cooperation at the country level. In the informative discussions that took place at the symposium, the overarching theme became that of striking a balance between forces that may at times be at odds with one another.

21. Reconciling national development priorities with the internationally agreed development goals was mentioned as a particular challenge in some countries. The need for national political and economic space for manoeuvring by developing countries, while at the same time adhering to the international commitments reflected in the normative frameworks of the United Nations, also emerged as an issue warranting attention.

22. Furthermore, ensuring resource flows to social sectors ("Millennium Development Goal sectors") in partner countries should not be at the expense of investment in productive sectors that indirectly support advancements in areas such as health and education. In addition, squaring the focus on measurable Millennium

Development Goal indicators with the importance of other areas, which are not easily quantifiable (for example, human rights and good governance), was considered a major challenge.

23. Monitoring was seen as an area where donors wield particularly strong influence over partner countries in framing the areas of focus and the selection of indicators. The strongest message of the symposium, however, was the need for partner countries, in cooperation with donors, to build strong national capacities to exercise genuine leadership in the development process.

24. National leadership is one aspect of the development compact between developed and developing countries, whereas important issues that relate to donor behaviour constitute another side of the compact. One such issue raised was the challenge faced by partner countries in coordinating and managing aid resources that, in many cases, are much more volatile than domestic revenues.

25. While streamlining the presence and practices of donors at the country level should be accorded high priority, different ideas were aired with regard to donor harmonization, ranging from the need for full harmonization of procedures to improving coordination and to looking into the creation of an environment more conducive to competition between donors in providing their services.

26. The following sections provide a brief summary of the discussions that took place in each of the six sessions.

A. Development effectiveness

27. Despite recent progress in improving the livelihoods of millions of poor people in the developing world, poverty reduction remains a daunting challenge, even in countries with positive economic growth rates. Considering that economic growth is a necessary but not sufficient condition for poverty reduction, pro-poor policies are required for appropriate income distribution. Even modest annual economic growth may deliver impressive poverty reduction. Thus, when it comes to poverty alleviation, the nature and pattern of economic growth is just as important as the rate of growth. Even small changes in income distribution, for instance, may reinforce the effect of growth on poverty.

28. Countries should also be aware of the forces that fuel economic growth since these define the impact of such growth on poverty and the ability of partner countries to become less aid dependent. If development aid is a major contributing factor to economic growth, there is a risk that it may consolidate and perpetuate aid dependency. Economic growth may not necessarily, therefore, be a process that decreases aid dependency.

29. A policy environment conducive to development effectiveness requires both sector policies and an overall enabling policy framework. Individual development projects will also have more impact if they are anchored in an effective national development strategy. Another important factor in bettering service delivery to the poor can be knock-on effects, whereby enhanced conditions in one sector lead to improvements in others, for example the growth in girls' secondary schooling and rural electrification in reducing child mortality in Bangladesh.

30. Donors were urged to provide better support to regional programmes, which tend to be few in number and inadequately resourced. It was felt that both donors and partner countries have often overlooked opportunities for regional cooperation to support the implementation of national development strategies in areas such as water management, power, transportation and disease control.

31. The distinction between development effectiveness and aid effectiveness was also highlighted since development assistance is only part of overall financing for development in a given country. The experiences of a number of Asian countries in mobilizing resources for development through trade, investment and business activities, and thus escaping aid dependency, were highlighted as lessons to be learned.

32. Every country needs to establish its own balanced approach in order to avoid a lopsided development focus when using aid to achieve the internationally agreed development goals. Since indicators are good servants, but bad masters, the Millennium Development Goals should be seen as tools to enable countries to keep track of progress. In order to achieve improvements in, for example, health, investment is also required in other areas, such as infrastructure and job generation. A narrow view of expenditures in the social sector as the principal means to achieve the Millennium Development Goals should therefore be avoided.

33. It was argued that in many countries the scaling up of development aid will improve development effectiveness. In order for such scaling up to have the desired effect it will have to be delivered in a predictable manner and with consideration for the quality of aid, in particular by shifting funds from projects to programme and budget support. Improved means of assessing the effectiveness of development aid in developing countries may also be required if donors are to make a strong case for major scaling up with regard to citizens and oversight institutions, such as parliaments.

34. Partner countries need to be aware, however, of the risk of becoming trapped by multidimensional aid dependency once it is entrenched as a modus operandi in government administration. In some countries, a corporate culture of government prevails, within which officials generally have experience in thinking of possibilities in terms of the framework of donor support. With an abundance of prescriptions for moving beyond aid dependency, compliance triumphs at the expense of independent, innovative thinking.

35. Concerns were also expressed that the recent trend of incessantly pushing for reforms may be raising the bar too high for the weakest developing countries. Is too much being asked of countries facing the most daunting development challenges with the weakest human resources? In addition, frustrations were voiced that the importance attached to reform in the development partnership was often at the expense of the daily challenge of making service delivery work at the country level.

B. National development strategies

36. National development strategies are the principal vehicle for advancing the implementation of the internationally agreed development goals at the country level. It is important to bear in mind, however, that the goals are targets, not policy strategies. Operationalizing these goals directly at the country level, without proper

consideration for social, political and economic considerations, may potentially undermine the effectiveness of existing development strategies and constrain ongoing development processes. Development assistance focusing on the realization of the internationally agreed development goals will only be effective when these goals reflect domestically held priorities.

37. There were repeated calls for more realistic approaches to formulating and evaluating national development strategies. National development strategies are sometimes expanded from feasible plans into aspirations, which may undermine their credibility. It is important to prioritize when formulating such strategies, and to note, from experience, that there has been some procrastination when it comes to making difficult decisions on trade-offs, notably between different internationally agreed development goals. A number of characteristics were offered for turning strategies into effective plans such as the need that they be participatory, comprehensive and flexible.

38. Critics maintained that there are examples of partner countries directing their priorities and strategic plans towards issues that ensure continued development assistance. It was argued that this produces a dubious confluence of development assistance and national strategies developed to meet the expectations, if not conditions, of donors.

39. The same argument was advanced in the case of civil society, since domestic political processes may be altered to fit with donor priorities and methods. It was contended that this may ultimately create an industry of professional recipients, both in government and civil society, who appear to present national priorities while more often reflecting donor sentiments.

40. Some concerns were also raised that the United Nations Development Assistance Framework process at the country-level was often overly focused on social, environmental and governance issues at the expense of economic and trade-related policies and assistance, which play a critical role in national development strategies. In consideration of the fact that the observance of human rights is the foundation of effective governance, the view was expressed that there was a need to ensure that such principles are mainstreamed into development cooperation for the realization of the internationally agreed development goals.

C. National capacities for administering aid

41. A resounding theme at the symposium was the development and sustainability of national capacities for administering and coordinating development assistance and their role as a foundation for development. National capacities, as such, should be understood as an amalgam of a broad set of human, institutional, structural and economic capabilities.

42. Regular joint capacity assessments by development partners were considered critical for building the right mix of such capacities. Such assessments should not be targeted at past needs, but should rather be forward-looking and should include costing in order to strengthen accountability and buy-in from the involved parties.

43. Capacity for the design and implementation of aid management strategies is critical if governments are to exercise genuine leadership in partnership with donors. In general, keeping with the consensus on country needs, and in order to

facilitate national ownership and leadership of the process, supply-induced demand incentives should be limited by donors and countries should receive adequate support on a genuinely demand-driven basis.

44. Strict donor adherence to using national systems and procedures for managing aid flows was considered to be an important element in enhancing national capacities in partner countries. The channelling of donor resources outside of a budget framework poses significant challenges for partner countries in terms of the development of national capacity. The more donors work around national systems and procedures the more they weaken these mechanisms to the detriment of development in partner countries.

45. Capacity constraints were considered to be not solely the domain of governments in developing countries, however. Donor offices in partner countries are often inadequately staffed, relying on decision-making from headquarters offices, and possessing limited competency to engage in meaningful policy dialogue with national counterparts, which is otherwise becoming more important in terms of the development partnership.

46. In addition to the observation that some donors may be better poised than others to support capacity development at the country level, it was suggested that South-South and triangular cooperation offer viable alternatives that focus on country experiences and lessons learned in both strengthening and complementing national capacities. This also applies to capacities needed for the development of aid policies, which are often written or facilitated by consultants, putting partner countries at a disadvantage in negotiating terms and conditions.

47. It was observed that planning, policymaking and oversight at the national level could be greatly improved by the provision of better quality national statistical data on development. At the 2007 Conference of African Ministers of Finance, Planning and Economic Development, for example, the challenge of improving the availability, timeliness and quality of data conforming to international standards was highlighted. In drawing attention to this issue, the Conference heeded the warning not to slip into the trap of developing policy-based evidence but rather to focus on evidence-based policy.

48. Parliaments and independent audit bodies are normally not adequately equipped to exercise their oversight role, focusing instead on procedural issues. It was suggested that progress will be achieved when those entities have the capacity to monitor and analyse results and when there are mechanisms to hold the executive branch to account. This predicament ties in with the observation that ministries of financing and planning are often overburdened and their capacities stretched too thin in managing and coordinating development cooperation, in part due to the centralized nature of many States.

49. The poaching of talent by donor agencies to implement and deliver aid programmes, which undercuts and distorts existing capacity development at the national level, is also a concern in many developing countries. Although this problem is sometimes exacerbated by lack of effective civil service reform in partner countries, donors are increasingly aware of the situation. In addition, strategic human resources management at the country level may, to some extent, offset less than comparable pay in the national civil service.

50. It was highlighted that without reinforcement of evaluation, analysis and negotiation capacity, supported by donor openness and partner commitment, there is little chance of genuine mutual accountability, alignment and ultimately attainment of the internationally agreed development goals.

51. It was keenly felt that line ministries with the requisite experience and competencies should be encouraged to conduct monitoring and evaluation in a more concerted fashion.

D. Predictability and stability of aid

52. With recent commitments of donors to increase development aid on an unprecedented scale, the question of how these flows will be managed and coordinated throughout the aid delivery value chain takes on even greater importance. Adding to the issue of creating a predictable aid environment for countries with high ratios of aid dependency, there were numerous different contributions to the discussion on enhancing predictability and stability of development assistance.

53. The problems posed by partner countries in coordinating and managing aid resources, which in many cases are far more volatile than domestic revenues, was particularly highlighted. One issue mentioned was the inclination of some governments to forego investing in sustainable human capacities in the health and education sectors due to uncertain financial prospects. This predicament is particularly exacerbated in fragile States, which are also the countries in most need of a stable operating environment. Considering the lacklustre performance of such countries in terms of economic growth, compared with other least developed countries, it was suggested that, in order for aid to achieve the biggest relative impact, fragile States should be the centre of attention.

54. One option to enhance the predictability and stability of aid flows could be to increase general budget support to partner countries. Such an approach is increasingly favoured due to the perceived advantages of giving partner countries enhanced flexibility in terms of allocation and eventually improving the predictability of resources flows. A caveat was made, cautioning donors against using this mechanism as a "gap-filler" at the end of the budgetary year in order to comply with targets in a seamless manner. General budget support in itself is not preferable to other aid modalities, yet used in a constructive fashion it carries great potential for partner countries in terms of facilitating the realization of their development goals. The focus on ensuring predictable inputs into the development process at the country level should not, however, diminish the focus on how to achieve predictable results.

55. Another option could be to use a "big push" approach, targeted at good performers that have the capacity to absorb, administer and disburse significantly increased aid flows. A concern was voiced, however, that donors are already inclined to focus on so-called "donor darlings" while leaving the "donor orphans" underfunded. As with fragile States, positive-reinforcement mechanisms may work to the detriment of countries most in need of improving their development processes.

56. Different levels of confidence were expressed with respect to donors meeting targets for development assistance in 2010 and 2015. To avoid the concerns of macroeconomic instability with regard to a "disbursement bulge" of aid when approaching milestone years, it was noted that increased frontloading of aid would greatly facilitate the coordination and management of such additional resources. In terms of funding, the erosion of core resources for the multilateral donor system was also a major cause for concern.

57. The predictability and stability of aid flows can be discussed at several different levels. Discussions at the aggregate level aside, it was noted that even though a region, such as sub-Saharan Africa, experiences volatility in aid flows as a whole, unforeseen events such as humanitarian disasters or societal upheaval may distort the fact that a number of countries in the same region are experiencing stable commitments and showing steady disbursement rates. It was suggested that a thorough and comprehensive analysis be conducted, which would go beyond the consolidated figures and examine the situation on a country-by-country basis.

E. Monitoring of aid quality

58. Initial comments centred on the importance of being conscientious about the purpose of monitoring aid quality. Whether the aim is to comply with accounting standards, to ensure that resources are allocated properly or that aid achieves the desired impact, not all development outcomes take the form of social products that can always be measured. While participants took note of the trade-offs involved in such quantification, the discussion for the remainder of the meeting focused primarily on the monitoring of how aid is delivered.

59. There were strong sentiments that the monitoring and oversight of aid quality is not the prerogative of State institutions at the central level. Even though established entities such as parliamentary committees, auditor-generals and national audit offices should play an important role in providing assessments of aid quality, local governments should also be part of the monitoring system. In addition, civil society organizations should complement that picture by assuming the role of local accountability agents. Monitoring of aid quality should therefore be looked at as a process involving all stakeholders.

60. Contrary to this, the sometimes lofty aspirations of the development community seldom reflect the expectations of citizens in partner countries. This disparity in expectations along the aid delivery chain from donors to the individuals in the villages of destination, is due in part to the limited dissemination and communication of national development cooperation priorities. If citizens in partner countries do not know what to expect of development aid, or have no expectation at all, the notion of holding donors or governments accountable at the lowest level is futile.

61. Enhanced monitoring of aid quality is also contingent on improved national systems for public financial management. Funds should be channelled through these systems since the use of alternative procedures increases the difficulty of monitoring aid flows. It was felt that one of the best ways to promote more effective monitoring of development is to deliver such assistance through budgetary support.

62. During the discussion of monitoring aid quality, the issues of selecting appropriate indicators and evaluating the areas that are most pertinent to partner countries also emerged. Indicators need to be selected carefully, and even then they do not necessarily provide the full picture. With respect to monitoring and evaluation, examples were provided of the asymmetries often seen in the relationships between development partners. In the example of one country, the donor countries would select indicators that applied to their performance from international agreements, such as the Paris Declaration, whereas the indicators used to measure the partner country were selected by donor countries from national strategies and plans.

63. If donors set the framework within which indicators for assessing government performance are selected, it begs the question as to whether donors are merely evaluated on their ability to finance what they encourage the partner country to pursue. Eventually, such lack of ownership on the part of partner countries leads to a sense of disfranchisement and inaction.

64. Reservations were expressed about whether the heavy hand of some donors in the aid partnership is compatible with ideals of independence, freedom and democracy. Donors are often dealing with issues perceived by partner country governments as having an interventionist or intrusive character, yet participants were reminded that a number of the countries where this is the case have recently emerged from conditions of great internal stress or upheaval. While recognizing the need for enforceable contractual relationships, donor involvement in monitoring and evaluation reflects in fact that the accountability that ultimately matters the most is the one between governments and their people.

65. Finally, evidence was cited that many partner countries have made significant progress in recent years in building capacities for recording, coordinating and monitoring of aid, as part of their partnership with donors.

F. Donor harmonization

66. The Minister for Foreign Affairs of Cape Verde addressed the opening meeting on donor harmonization. Outlining the vision for development cooperation in his country, particularly taking into consideration the recent launch of the United Nations joint office pilot, the Minister explained the reform initiatives and challenges currently faced in Cape Verde.

67. In the ensuing discussions, it was stressed that the debate on donor harmonization should always be seen as means to improve the impact of development assistance. The symposium thus called for striking a balance between focusing on what goes into the "development cooperation equation", such as harmonizing aid processes and procedures and the ultimate results that come out of that equation.

68. While there has been some progress in donor harmonization at the country level, numerous examples of the continued need for streamlining of actions of donors at that level, including their interface with partner countries, were also highlighted. A range of measures such as programme-based and sector-wide approaches, projects with pooled funding and co-financing were mentioned as

important means of achieving cost-savings and easing the strain on national counterparts.

69. With reference to the experience of the first United Nations joint office pilot, it was noted that further progress in harmonization could be facilitated by donors pursuing a strategy of decentralizing decision-making authority to their offices in partner countries, since staff at the country-level tend to be more receptive to reform and harmonization. It was also mentioned that harmonization can be seen as the last step in a long process of integrating and bringing into accord a multitude of donor practices and processes. A first step in achieving such a goal should be the deepening of the dialogue between donors themselves.

70. It was argued that all hopes and efforts should not necessarily be vested in harmonizing and aligning donor efforts since the results do not always measure up to the endeavours undertaken. Another speaker aimed a different view with regard to regulating the current development aid system, mentioning that central planning had come a long way, but that it may have exhausted its potential. It was mentioned that, as an alternative, partner countries might be given the ability to purchase the services from actors in the international fields. Lessons from the private sector could perhaps be learned in terms of improving the distribution and allocation of aid.

71. Concern was expressed that in some countries the establishment of a plethora of working groups and other mechanisms involving donor presence may lead to proliferating priorities. With a wide array of activities defined as priorities, the coherent alignment of priorities becomes virtually impossible. Applying the market mechanism of ranking donors in order to encourage competition was mentioned as one viable approach. A similar approach suggested the creation of coordinating committees at sector and national levels, under the leadership of the government in the partner country and with only a limited number of seats granted to donors, which would eventually spur competition.

72. In discussing the notion of competition among donors, it was noted that services would have to be delivered according to certain standards and under specific regulations, with providers vying for the attention of partner countries. It was noted, however, that the market for aid is not a typical one since there is little contestability with only entries and no exits. The advantages of promoting competition among donors would thus have to be considered with the understanding that usual market conditions do not apply.

73. With regard to donor harmonization, the recent emergence of vertical and special purpose funds as popular mechanisms in the global aid system was highlighted. Such funds may play a critical role if they leverage resources and are well-used; at the same time, it was cautioned that countries that are granted resources for specific purposes may in some cases, find that government staff are poached and management attention diverted disproportionately towards the same objectives at the cost of other urgent development priorities.

74. It was noted that a number of donors are prone to picking and choosing United Nations agencies in order to fund individual projects and programmes. The importance of maintaining adequate levels of core funding for multilateral donors was highlighted in this regard. Concern was also voiced that a number of donors planning to scale up aid over the next couple of years are simultaneously envisaging

cutting back on the number of partner countries. With multilateral institutions constrained by allocation formulas that, by and large, follow the same pattern, some countries may eventually encounter an increase in underfunding, which would exacerbate already poor conditions and performance.

V. Principles for achieving sustainable results

75. The discussions held at the symposium reaffirmed a number of principles for achieving sustainable results in development cooperation. Frequent references were made to: partner countries taking ownership and leading the development process; the promotion of participatory processes involving all key stakeholders; and development partners answering for their performance through effective accountability mechanisms.

A. National ownership: leading the development process

76. The pivotal significance of national ownership of the development process was stressed throughout the symposium. Genuine ownership should be understood as a process whereby partner countries actively lead in the partnership with donors. Ownership by governments of partner countries does not mean merely agreeing on the terms and conditions of development activities conceived by donors. Instead, it means actively taking charge of defining the areas and initiatives within which a given partner country wants to engage with the donor community.

77. Ownership should not be confined to governments enjoying a monopoly over the development process. Instead, the process should be owned by a coalition of national stakeholders or should include full transparency and engagement of civil society organizations, parliament, media and the private sector. Since the poor often have little, if any, ownership of the development process, it was argued that the concept of ownership should be rethought.

78. A number of concerns were raised as to how to balance the competing demands of donors needing to demonstrate development results to their national constituents while at the same time giving sufficient time and space for manoeuvring to partner countries. It was felt that genuine national ownership must be premised on the exercise of sovereignty and political will, not in terms dictated by donors. It was mentioned that, while there may be a general agreement that partner countries should be in the driver's seat, there is an impression that "someone else is towing the car". The recent United Nations reform effort towards "Delivering as one" at the country level has also highlighted the potential tension between the principles of focus and inclusion.

79. Country ownership and leadership were regarded as necessary factors of success, and while the notion of ownership is part of every discussion, constituency and report issued, it was considered important, in view of its ubiquitous usage, to internalize the meaning of this concept in development processes. The concept includes the will to own and lead and the ability to align forces around that will and to make choices and decisions on the trade-offs required.

80. The issue of aid conditionalities featured prominently in the discussion on ownership, in particular since it was considered that they eroded sovereignty and

limited the policy space of governments. Furthermore, conditionalities can violate the democratic and economic rights of the poor since they generally fail to meet any notion of consultation. Others argued, however, that conditionalities are part and parcel of the contractual relationship between development partners and that the discussion should focus instead on the circumstances under which different conditionalities, including ex ante, results-based and process-based conditionalities, are appropriate and work. Conditionalities may even be worthwhile in some instances since they can allow national leaders to leverage difficult reform.

B. Participation: consulting with stakeholders

81. There was unequivocal consensus that the participation of non-State actors in the formulation and implementation of national development strategies is critical for the credibility, impact and sustainability of the development process. Several examples were provided of inclusive approaches in which consultations with civil society organizations and academia have played a major role in formulating national development strategies.

82. Ensuring consultations with non-State actors is only the first step, however, in formulating development priorities and strategies. A second step is to secure adequate representation of the same stakeholders in relevant processes since governments may sometimes be faulted for consulting primarily with like-minded non-State actors. It was also suggested that governments should consult with stakeholders using a single platform instead of bilateral consultations with individual actors.

83. In addition, stakeholder consultations should not be limited to the design phase of development cooperation initiatives, they should be part of a continuous process conducted during the entire course of implementation. Permanent consultative mechanisms should ideally be institutionalized in the implementation of such initiatives. It was also pointed out that consultations sometimes fail because civil society organizations are not fully informed and do not have a full understanding of the issues at hand.

84. It was felt that State institutions sometimes languish when it comes to offering an effective institutional counterbalance to the government by way of checks and balances. Parliamentarians, for example, are often at a disadvantage vis-à-vis the national government in instances when they are not privy to information on quantity, quality, allocation, distribution and results relating to development assistance. Continued provisions for capacity-building of parliaments to carry out oversight of the executive in this area should be part of donor assistance.

85. In addition to civil society organizations being an integral part of consultations and parliaments performing oversight functions, effective development cooperation is dependent on other well-functioning independent third parties such as auditors general and national audit offices. It is important for all these stakeholders to effectively hold governments accountable for the results delivered.

C. Accountability: answering for performance

86. The discussion on accountability revolved around the relationship between development partners and the ultimate accountability of governments to their peoples in both donor and partner countries.

87. The importance of holding the different actors in the development community accountable for progress, or lack thereof, was frequently stressed. It was noted that the nature of that relationship makes a difference in building an effective accountability arrangement. The relationship should be governed in a way that is transparent and honest and, above all, entered into freely. It was emphasized that development partners have to find a way to relate to each other as equals, however, as participants observed when discussing the issue of evaluation, development partners are rarely subject to equal consequences in the event that they do not meet their formalized responsibilities.

88. It was asserted that donors are increasingly scrutinized by national parliaments and other institutions to ensure the most effective use of development assistance. The challenge for the donor community is to convey to these constituents the message that, in order to be effective, aid must be predictable, frontloaded and of adequate volume. In this regard, the importance of establishing a framework for mutual accountability that would hold each constituent accountable and would evaluate progress while not subtracting from the accountability of other constituents was particularly emphasized.

89. It was pointed out that the "grand bargain" of aid is that donors provide the financial resources and that the lives of people in developing countries improve as a result. For the compact to work, increased predictability of results is needed. Measures that separate donors from the use of their funds are therefore likely to decrease rather than increase political support in the respective countries. It was noted that some funding modalities, such as the recently imposed air ticket tax, were not subject to political debate and review in terms of commitment.

90. In addition to effective political review of development assistance, public perception is an important factor that must be taken into consideration, in particular, in the context of scaling up aid that relies not only on a compact within the donor community, but also between donor governments and their public. Public support may wane if mobilized resources are not spent. One cause for concern was that increased funding would hit an "absorption wall" owing to logistical constraints, for example the lack of training institutions in developing countries, which could result in a backlash of support. Public support may nevertheless be bolstered, broad and effective dissemination of compelling and evidence-based stories about how development aid is accelerating development and improving the lives of people in partner countries.

91. There are limits as to how far the concept of accountability can be pushed. As an example, it was highlighted that bilateral donors ultimately answer to their taxpayers and not to the public in partner countries. Similarly, in the final analysis governments in partner countries are accountable to their public and not to donors. Ensuring mutual accountability between development partners should therefore be the result of a reciprocal and voluntary relationship. The development community should make concerted efforts to stay clear of a lose-lose scenario, whereby donor countries perceive that they are not getting the expected value for development

assistance and partner countries are discontent with how donors are considered to be imposing their views on sovereign States.

VI. Key policy messages

92. The following key policy messages were derived from the discussions held at the Vienna symposium:

(a) Genuine national ownership means that developing countries lead in partnership with donors. Ownership is not simply agreeing to the terms and conditions of development cooperation established by donors, it is actively taking charge of defining the framework and process for cooperation;

(b) Participation of non-State actors in the formulation and implementation of national development plans is critical for the credibility, impact and sustainability of the development process. Governments should not limit participation in policy dialogue processes to like-minded stakeholders, but benefit from a broad range of perspectives;

(c) Development partners need to relate to each other as equals and be expected to live up to agreed frameworks and commitments in respect of development assistance. National stakeholders should increasingly be empowered to hold governments accountable for the impact of aid;

(d) With regard to development effectiveness, the nature and pattern of economic growth is as important as the rate of growth. Achieving the Millennium Development Goals would have to include adequate aid and investments in productive sectors vis-à-vis the social sectors;

(e) National development strategies are the principal vehicle for advancing the implementation of the internationally agreed development goals at the country-level. The strategies, which sometimes err on the side of aspirations, should first and foremost be realistic at their outset;

(f) Ensuring national capacities for designing and implementing aid management strategies is a prerequisite for the leadership of partner countries in the aid partnership. National donor offices should have the required competencies to act as credible counterparts to national governments;

(g) Donor countries should be observant of meeting aid commitments in a predictable and stable fashion. Predictable and stable funding is of particular importance to fragile States that may nevertheless have the bleakest outlook in terms of conduct and performance;

(h) Monitoring of aid quality and impact is an area where donors wield a particularly strong influence over partner countries. Monitoring should reflect the fact that governments are ultimately accountable to their citizens. More effective dissemination of the expectations of development assistance is key to enabling the public to play a constructive role in aid monitoring;

(i) Agreements on donor harmonization are equalled by an increasingly fragmented presence of donors in many countries. Increased cooperation may provide a first step in furthering harmonization, while competition among donors may also prove an option in some cases;

(j) The classic development cooperation mindset of "North-South" is no longer viable. South-South and triangular cooperation offer viable alternatives in supporting developing countries to build national capacities, including the development of aid policies.

VII. Looking forward: South-South and triangular cooperation

93. As the first preparatory event for the Development Cooperation Forum, the Vienna High-level Symposium brought a number of pertinent development cooperation issues to the fore. In particular the growing importance and influence of cooperation outside the traditional compact between developed and developing countries received attention. Participants noted that without the inclusion of South-South cooperation the picture of international development cooperation is not complete.

94. With a host of participants speaking on South-South and triangular cooperation, one important message was that the development community needs to shed the classic approach of looking at development cooperation with a North-South mindset. In addition, it was proposed that the term "emerging donors" should be revisited since several of the countries considered in this category have been providing development assistance for decades.

95. Several participants voiced the need to reform the aid architecture while focusing on the demands of the least developed countries. It was argued that countries that are playing an increasing role as contributors should also take this opportunity to revisit the aid framework. These "ascending contributors" should use existing North-South experiences to help transform the existing framework into a new paradigm with a reduced focus on aid that is motivated by political or military considerations.

96. As a major trend in international development cooperation, South-South and triangular cooperation will become the topic of the next High-level Symposium to be held in preparation for the first Development Cooperation Forum in 2008 in New York. The symposium will be organized in cooperation with the Government of Egypt and held in Cairo.